

Administrative Management Society **REPORT**

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\$3.19 Does an 'Average' Letter Really Cost That Much?

Let's take pencil and paper and do some figuring

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- *Business decisions should be based on facts.*
- *To obtain facts, investigate.*
- *Good decisions presuppose reliable information.*
- *Incorrect or misapplied information can cause improper decisions.*

EARLIER this year Dartnell Institute of Business Research published the "facts" at right about the cost of an average letter.

Dartnell has issued these "averages" for years, and they have been widely used and misused.

Such estimates might lead a manager to conclude that phone calls would be cheaper, or that mechanical devices such as dictating equipment would reduce communication costs, or that he should reorganize his office. Before any such move, the manager should carefully analyze his own company's word processing procedures—and Dartnell's assumptions.

What is an "average length" letter? The basis for estimating length in the Dartnell analysis isn't stated. All one can say of "average length" is that it is half way between a "short" letter and a "long" one. The average letter in a certain firm might be 150 words; in another, 50; in another, 450. With data from a specific vocabulary study, I'd like to illustrate some dangers that might arise from using the Dartnell data as a basis for decisions regarding dictation-transcription procedures. The study, by Frieda Hudson, analyzed all communications typed by 25 secretaries in one week for 20 attorneys in 14 law offices.* The total words typed in letters was 36,872; average

*Frieda Hudson, "Legal Terminology in Typewritten Communications in Selected Legal Offices in Lubbock, Texas," unpublished master's report, Texas Tech University, 1970, p. 31.

The Claim

<i>Cost Factor</i>	<i>Average Cost</i>
Dictator's time	\$0.72
(Based on assumption of dictation of 15 letters a day at an average of 7 minutes for each letter)	
Secretarial cost	1.00
(Based on an average of 15 letters a day at 20 minutes per letter, including dictation)	
Nonproductive labor26
(Including time lost by both dictator and secretary in waiting, illness, vacations, etc.)	
Fixed charges81
(Including overhead, depreciation, rent, light, interest, taxes, pensions, etc.)	
Materials cost09
(Including such items as stationery, carbon paper or copy-machine sheets, typewriter ribbons, etc.)	
Mailing cost17
(First-class postage @ 8 cents, plus 20 percent airmail, gathering, sealing, stamping, sorting, delivery to post office, etc.)	
Filing cost14
(Clerk's time—salary, cost of equipment, supplies, etc.)	
TOTAL COST	\$3.19

According to Dartnell, these are the cost breakdowns included in the overall expense of an average letter.

Letter . . . Charge interruptions to the activity involved CONTINUED

letter length was 92 words. (The total words in documents was 270,959; average per document, 2,202.9. Here we are concerned only with the letter group.)

In the Dartnell data, the assumption is made that the dictator requires on the average 7 minutes to dictate a letter. At the cost of 72 cents for 7 minutes of his time, his weekly salary would be about \$247. The first question to be raised is, how many words did he dictate in 7 minutes? Such factors as lost time due to interruptions should not be included here because they are listed in "nonproductive labor." Furthermore, any time consumed through interruptions should be charged to the activity that was involved in the interruption—not to the cost of the letter being dictated.

If the overall rate of dictation was 60 words a minute, a 420-word letter would be dictated in 7 minutes; if 80 words a minute, a 560-word letter would result. Of course actual dictation does not proceed at an even pace, hence the term "overall" is used.†

Application of 72-cent factor.

If the 92-word average letter of Hudson's study had been the average used in the Dartnell analysis, dictation would be assumed at the rate of 13 words a minute. That rate seems unreasonably low. At 80 words a minute, dictation time would be 1.15 minutes ($92 \div 80$); and the cost of the \$247-a-week executive's dictation would be 11.83 cents. ($\$247 \div 40 \text{ hours} = \$6.175 \text{ an hour, or } 10.29 \text{ cents a minute.}$) At 60 words a minute, dictation time would be 1.53 minutes and the cost 15.74 cents.

Secretarial cost. The Dartnell analysis assumes that the secretary takes 20 minutes per letter, including dictation. Since dictation time was assumed to be 7 minutes, her transcription time would be 13 minutes. With \$1 the designated cost for these 20-min-

utes, salary per minute is 5 cents. That would put the weekly salary at \$120. The cost for transcription would be 65 cents ($13 \times 5 = 65$). Recording the 7-minute dictation would cost 35 cents ($100 - 65$).

If the 92-word Hudson average had been used, then at 60 words a minute the recording time would have been 1.53 minutes, the same as the dictator's time; at 80 words a minute, 1.15 minutes. The recording cost of that 7-minute dictation would be 7.65 cents at 60 words a minute; 5.75 cents if dictation had been at 80 words a minute. If the secretary required 13 minutes to transcribe



One factor in business letter cost is speed and clarity of dictation.

a 92-word letter, her transcription rate would be 7 words a minute.

If the secretary were able to transcribe at, say, three times that rate—21 words a minute—her time for transcribing the letter would be 4.38 minutes; the cost would be 21.9 cents. Total time, if dictation had been at 60 words a minute, would be 5.91 minutes. At 80 words a minute the total time would be 5.53 minutes. The total secretary cost with 60-word-a-minute dictation would be 29.55 cents; assuming 80 words, 27.65 cents.

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THEN, assuming no change in other cost factors in the Dartnell analysis, the 92-word letter

would cost \$1.92, instead of \$3.19, for the 60-word-a-minute dictator. (Dictator's cost + secretary's cost, 15.74 cents + 7.65 + 21.9 = 45.29 cents. Then, $45.29 + 26 + 81 + 9 + 17 + 14 = \1.92 .) It would cost \$1.88, instead of \$3.19, for the 80-word-a-minute dictator.

Take into consideration the fact that costs listed for fixed charges, materials cost, mailing cost, and filing cost would probably be no less if a stenographic pool or dictating-transcribing equipment were used. The cost labeled "nonproductive labor" would be less in any cost computation if the factor of interruptions was charged to the activity causing them. Furthermore, if dictation-transcribing machines were used, such costs as initial equipment purchase, supplies, down time, and maintenance would have to be considered in computing per-letter cost. The time required for dictation also might increase (a) because of the need for giving complete instructions and spelling names to an unseen transcriber and (b) because, having no assistance from the secretary at dictation time in recalling or verifying names, dates and places, the dictator might have to consume time consulting files or individuals before being able to complete his dictation.

With a cost-per-letter such as \$1.88 or \$1.92, a manager might reach a conclusion in favor of the dictated letter rather than the form; in favor of dictating directly to the secretary instead through mechanical equipment; or in favor of conducting dictation and transcription technique seminars to improve the overall competency of executives as well as secretaries.

Before using research in making decisions, the manager should know the procedures employed for data collection and analysis. He will then be better able to judge the validity of the researcher's conclusions for application in his own situation. □

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†H. H. Green, in *The Nature of Business Dictation*, his unpublished doctoral dissertation, 1951, at the University of Pittsburgh, found the median length letter among the dictators in his study was 115 words. The median dictation speed was slightly less than 60 words a minute.